

Washington, DC – Today, U.S. Rep. John Hall (D-NY19) announced that middle-class New Yorkers will see an increase in their take-home pay beginning tomorrow, April 1. As a component of the American Recovery and Reinvestment Act (ARRA) of 2009, the largest middle-class tax cut in American history, individuals earning less than \$95,000 per year will have less federal taxes withheld from their paychecks. "During these difficult economic times, middle-class families are struggling simply to buy groceries for dinner and to pay the utility bills," said Hall. "The Recovery Act combines middle-class tax relief and strategic investment to stimulate the economy and create good paying jobs right here at home. This simple change to the tax code is an easy step to get more money immediately into the pockets of those fighting to make ends meet."

The Making Work Pay provision of the ARRA provides a refundable tax credit up to \$400 for working individuals and \$800 for married taxpayers filing joint returns through 2010.

For workers who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes made by tomorrow. Because the tax change is retroactive to January 1, in some cases, employees will have no federal tax deducted in recent paychecks.

Some workers may have already seen the increase in take-home pay because the Internal Revenue Service (IRS) withholding tables were already updated to reflect the new credit.

If an employee is eligible for the maximum amount of the tax credit, and the employer begins using the revised tax tables starting April 1, an employee can expect to bring home an additional \$44 each month as a single filer and \$89 as joint filers.

It is not necessary to submit a W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised W-4 to ensure there is enough withheld to cover the tax for his or her combined income. IRS Publication 919 provides additional guidance for tax withholding.

Additional tax provisions in the Recovery Package:

- Money back for new vehicle purchases: Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes they paid.
- Increased transportation subsidy. Employer-provided benefits for transit and parking are up in 2009.
- Up to \$2,400 in unemployment benefits tax free in 2009. Individuals should check their tax withholding.
- Net operating loss carryback. Small businesses can offset losses by getting refunds on taxes paid up to five years ago. Information on the carryback, an expanded section 179 deduction and other business-related provisions is now available.

- COBRA: Health insurance continuation subsidy. The IRS has extensive guidance for employers, including an updated Form 941, as well as information for qualifying individuals.
- First-time homebuyer credit expands. Homebuyers who purchase in 2009 can get a credit of up to \$8,000 with no payback requirement.
- Enhanced credits for tax years 2009, 2010 for the earned income tax credit, additional child tax credit and American Opportunity Credit, a new higher education benefit.
- \$250 for Social Security recipients, veterans and railroad retirees. The Economic Recovery Payment will be paid by the Social Security Administration, Department of Veterans Affairs and the Railroad Retirement Board.

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